

**REPORT OF THE AUDIT OF THE
BARREN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BARREN COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Barren County Fiscal Court for fiscal year ended June 30, 2004. We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund financial statements of Barren County Fiscal Court.

Financial Condition:

The fiscal court had net assets of \$6,400,577 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,652,904 in its governmental activities as of June 30, 2004, with total net assets of \$6,293,985. In its enterprise fund, total net cash and cash equivalents were \$71,563 with total fund net assets of \$106,592. The fiscal court had total debt principal as of June 30, 2004 of \$7,574,283 with \$370,402 due within the next year.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- All Telephone Commissions Should Be Deposited By The County Treasurer And All Jail Expenditures Should Be Budgeted

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities. However, on August 31, 2003, \$69,261 of the county's deposits of public funds were uninsured and unsecured.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Barren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Barren County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
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Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barren County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005 on our consideration of Barren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the comments and recommendations, included herein, which discusses the following report comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- All Telephone Commissions Should Be Deposited By The County Treasurer And All Jail Expenditures Should Be Budgeted

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 31, 2005

BARREN COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Davie D. Greer	County Judge/Executive
Krissie Coe Fields	Magistrate
Robert T. Groce	Magistrate
Carl H. Dickerson	Magistrate
Thomas Matthews	Magistrate
Howard N. Bowman, Jr.	Magistrate
Charles Allen	Magistrate
Dr. Steven M. Welborn	Magistrate

Other Elected Officials:

Jeff Sharp	County Attorney
Leland Cox	Jailer
Pamela S. Browning	County Clerk
Nancy B. Botts	Circuit Court Clerk
Barney E. Jones	Sheriff
Brad Bailey	Property Valuation Administrator
Michael T. Swift	Coroner

Appointed Personnel:

Karen Bracken	County Treasurer
Nancy Houchens	Deputy Judge
Sherry J. Jones	Finance Officer



Barren County Judge/Executive

117 North Public Square - Suite 3A
Glasgow, Kentucky 42141

Telephone 270/651-3338
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Management's Discussion and Analysis June 30, 2004

The financial management of Barren County, Kentucky offers readers of Barren County's financial statements this narrative overview and analysis of the financial activities of Barren County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights.

- Barren County had net assets of \$6,400,577 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,652,904 in the governmental activities as of June 30, 2004. In the enterprise fund, cash and cash equivalents were \$71,563 with total assets of \$106,592. Total debt for governmental activities principal as of June 30, 2004 was \$7,574,283 with \$370,402 due within one year.
- The governmental activities total net assets increased by \$1,272,330 from the prior year.
- At the close of the current fiscal year, Barren County governmental funds reported current assets of \$2,229,156. Of this amount, \$2,118,077 is available for spending at the government's discretion (unreserved fund balance).
- Barren County's total indebtedness at the close of fiscal year June 30, 2004 was \$7,574,283 of which \$7,203,881 is long-term debt (due after 1 year) and \$370,402 is short-term debt (to be paid within 1 year). Debt additions were \$72,727, and debt reductions were \$338,912 for a net decrease of \$266,185 for the year. This decrease was due to the payment of principal on General Obligation and Revenue Bonds that was offset by an additional financing obligation to purchase an ambulance.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Barren County's basic financial statements. Barren County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Barren County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Barren County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Barren County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Barren County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Barren County has one business type activity - Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Barren County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Barren County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Governmental Funds. (Continued)

Barren County maintains (8) eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund
- Recreational Department Fund
- Barren County Government Center Construction Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Work Release Fund
- Courthouse and Corrections Bond Fund – 1998 Series

Barren County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, Jail Fund, and Recreational Department Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds Financial Statements. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary funds are the 1996 Tax Escrow Fund, 1999 Tax Escrow Fund, and the 2002 Tax Escrow Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Barren County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	1,892,648	2,229,156	77,728	71,563	1,970,376	2,300,719
Capital assets	10,969,475	11,639,112	39,743	35,029	11,009,218	11,674,141
Total Assets	12,862,123	13,868,268	117,471	106,592	12,979,594	13,974,860
Liabilities						
Current and other liabilities	0	370,402	0	0	0	370,402
Long-term liabilities	7,840,468	7,203,881	0	0	7,840,468	7,203,881
Total Liabilities	7,840,468	7,574,283	0	0	7,840,468	7,574,283
Net Assets						
Invested in capital assets, net of related debt	3,129,007	4,064,829	39,743	35,029	3,168,750	4,099,858
Restricted	529,569	576,252	0	0	529,569	576,252
Unrestricted	1,363,079	1,652,904	77,728	71,563	1,440,807	1,724,467
Total Net Assets	5,021,655	6,293,985	117,471	106,592	5,139,126	6,400,577

Changes in Net Assets.

Governmental Activities. Barren County's net assets increased by \$1,272,330 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased \$336,508.
- Investment in capital assets and infrastructure, net of related debt increased \$935,822 primarily due to the inclusion of infrastructure and decreases in related long-term debt.
- Long-term liabilities decreased by \$266,185.

Business-type Activities. Barren County's net assets decreased by \$10,879 in fiscal year 2004. Key elements are as follows:

- Current assets and cash decreased by \$6,165.
- Investment in capital decreased by \$4,714 due to depreciation expense.

**Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Barren County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds Overview. The focus of Barren County governmental funds is to provide information on current inflows, outflows, and balances of spend able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$2,229,156. Approximately 95% (\$2,118,077) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$111,079) is reserved to indicate that it is not available for new spending because it is committed for various encumbrances.

The County has (5) five major governmental, and (3) non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund
- Recreational Department Fund
- Barren County Governmental Center Construction Fund

Non-major Funds

- Local Government Economic Assistance Fund
- Work Release Fund
- Courthouse and Corrections Bond Fund 1998 Series

1. The General Fund is the chief operating fund of Barren County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$1,502,663 while total fund balance was \$1,549,427. The County received \$3,276,629 in real and personal property, motor vehicle, and other taxes for approximately 54% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 46% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. At the end of June 30, 2004 fiscal year, unreserved fund balance of the Road and Bridge Fund was \$32,096 while total fund balance was \$85,521. The fiscal year 2004 expenditures for the Road and Bridge Fund were \$1,765,398.
3. The Jail Fund is used to account for the operation of the County's detention program. At the end of June 30, 2004 fiscal year, unreserved fund balance of the Jail Fund was \$28,364 while total fund balance was \$39,254. The Jail Fund received \$718,156 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$480,000 to the jail operations.
4. The Recreational Department Bond Fund had a fund balance of \$16,863 as of June 30, 2004.

**Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Governmental Funds Overview (Continued).

5. The Barren County Governmental Center Construction Fund had a fund balance of \$505,956 as of June 30, 2004. These funds are for acquisition and future construction of governmental projects.
6. The Local Government Economic Assistance Fund had a fund balance of \$1,154 as of June 30, 2004, an increase of \$907 over the previous fiscal year end.
7. The Work Release Fund had a balance of \$528 as of June 30, 2004, a decrease of \$584 from the previous fiscal year end.
8. The Public Properties Corporation Courthouse and Corrections Bond Fund – 1998 Series had a fund balance of \$30,453 as of June 30, 2004. The funds are restricted for debt reduction only.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Barren County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2004 fiscal year, amounted to \$71,563 and total assets were \$106,592

General Fund Budgetary Highlights.

Barren County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$1,326,307. Budget amendments were made to various expenditures due to grants awarded in the fiscal year, surplus cash carried forward, additional miscellaneous receipts, and an increase in actual tax revenue.

Actual revenues were \$353,491 short of the budget. This variance was due to Intergovernmental Revenue and Interest Income. Interest on investments remains depressed.

Capital Assets and Debt Administration.

Capital Assets. Barren County's investment in capital assets for its government and business type activities as of June 30, 2004, amount to \$11,674,141 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, equipment, vehicles, current infrastructure additions, and construction in progress for park improvements.

Major capital asset events during the 2004 fiscal year included the purchase of a vehicle impoundment lot, park improvements, and the purchase of several vehicles and other equipment.

Additional information of the County's capital assets can be found in Note 4 of this report.

Barren County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Capital Assets and Debt Administration. (Continued)

Capital Assets. (Continued)

Table 2
Barren County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Infrastructure Assets	0	575,054	0	0	0	575,054
Land	865,173	910,357	0	0	865,173	910,357
Const. In Progress	0	12,831	0	0	0	12,831
Bldgs.	8,809,819	8,744,801	0	0	8,809,819	8,744,801
Other Equip.	839,535	882,771	2,555	2,436	842,090	885,207
Vehicles & Equip.	454,948	513,298	37,188	32,593	492,136	545,891
Total Net Capital Assets	10,969,475	11,639,112	39,743	35,029	11,009,218	11,674,141

Long-term Debt. At the end of the 2004 fiscal year, Barren County had total bonded debt outstanding of \$7,310,000. The totals are as follows: General Obligation Bonds \$2,915,000; Mortgage Revenue Bonds \$4,395,000. The County has (4) four financing obligations totaling \$264,283.

Short-term Debt. The County has a total of \$43,071 in various short-term leases.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Economic factors indicate continue growth for Barren County.

Requests For Information.

This financial report is designed to provide a general overview of Barren County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Barren County Treasurer, 117 North Public Square, Suite 3A, Glasgow, KY 42141.

BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,237,732	\$ 71,563	\$ 1,309,295
Investments	991,424		991,424
Total Current Assets	<u>2,229,156</u>	<u>71,563</u>	<u>2,300,719</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	12,831		12,831
Land and Land Improvements	910,357		910,357
Buildings	8,744,801		8,744,801
Other Equipment	882,771	2,436	885,207
Vehicles and Equipment	513,298	32,593	545,891
Infrastructure Assets - Net of Depreciation	<u>575,054</u>		<u>575,054</u>
Total Noncurrent Assets	<u>11,639,112</u>	<u>35,029</u>	<u>11,674,141</u>
Total Assets	<u>13,868,268</u>	<u>106,592</u>	<u>13,974,860</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	240,000		240,000
Financing Obligations Payable	130,402		130,402
Total Current Liabilities	<u>370,402</u>		<u>370,402</u>
Noncurrent Liabilities:			
Bonds Payable	7,070,000		7,070,000
Financing Obligations Payable	133,881		133,881
Total Noncurrent Liabilities	<u>7,203,881</u>		<u>7,203,881</u>
Total Liabilities	<u>7,574,283</u>		<u>7,574,283</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,064,829	35,029	4,099,858
Restricted For:			
Capital Projects	505,956		505,956
Debt Service	30,453		30,453
Grant Projects	39,843		39,843
Unrestricted	<u>1,652,904</u>	<u>71,563</u>	<u>1,724,467</u>
Total Net Assets	<u>\$ 6,293,985</u>	<u>\$ 106,592</u>	<u>\$ 6,400,577</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,273,901	\$ 268	\$ 1,906,835	\$ 113,424
Protection to Persons and Property	1,962,057	539,290	350,242	
General Health and Sanitation	463,894		57,373	
Social Services	72,294		11,309	
Recreation and Culture	439,103			17,083
Roads	1,056,621		1,261,029	335,134
Debt Service	450,118		256,600	
Capital Projects	15,620			
Total Governmental Activities	7,733,608	539,558	3,843,388	465,641
Business-type Activities:				
Jail Canteen	206,255	474,762		
Total Business-type Activities	206,255	474,762		
Total Primary Government	\$ 7,939,863	\$ 1,014,320	\$ 3,843,388	\$ 465,641

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Other Taxes
Unrestricted Investment Earnings
Miscellaneous Revenues
Disposal of Fixed Assets
Interfund Transfers

Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,253,374)	\$	\$ (1,253,374)
(1,072,525)		(1,072,525)
(406,521)		(406,521)
(60,985)		(60,985)
(422,020)		(422,020)
539,542		539,542
(193,518)		(193,518)
(15,620)		(15,620)
(2,885,021)		(2,885,021)
	268,507	268,507
	268,507	268,507
\$ (2,885,021)	\$ 268,507	\$ (2,616,514)
1,688,722		1,688,722
226,811		226,811
288,124		288,124
1,232,216		1,232,216
21,225	786	22,011
433,140	1,877	435,017
(14,936)		(14,936)
282,049	(282,049)	
4,157,351	(279,386)	3,877,965
1,272,330	(10,879)	1,261,451
5,021,655	117,471	5,139,126
\$ 6,293,985	\$ 106,592	\$ 6,400,577

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Recreation Department Fund	Barren County Government Center Construction Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,048,015	\$ 85,521	\$ 39,254	\$ 16,863	\$ 15,944
Investments	501,412				490,012
Total Assets	<u>\$ 1,549,427</u>	<u>\$ 85,521</u>	<u>\$ 39,254</u>	<u>\$ 16,863</u>	<u>\$ 505,956</u>
FUND BALANCES					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 46,764	\$ 53,425	\$ 10,890	\$	\$
Unreserved:					
General Fund	1,502,663				
Special Revenue Funds		32,096	28,364	16,863	
Capital Projects Fund					505,956
Debt Service Fund					
Total Fund Balances	<u>\$ 1,549,427</u>	<u>\$ 85,521</u>	<u>\$ 39,254</u>	<u>\$ 16,863</u>	<u>\$ 505,956</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 32,135	\$ 1,237,732
	991,424
<u>\$ 32,135</u>	<u>\$ 2,229,156</u>

\$	\$ 111,079
	1,502,663
1,682	79,005
	505,956
<u>30,453</u>	<u>30,453</u>
<u>\$ 32,135</u>	<u>\$ 2,229,156</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 2,229,156
Amounts Reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,137,662
Accumulated depreciation	(2,498,550)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing obligations	(264,283)
Bonded debt	<u>(7,310,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,293,985</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Recreation Department Fund</u>
REVENUES				
Taxes	\$ 3,276,629	\$	\$	\$
In Lieu Tax Payments	96,356			
Licenses and Permits	7,108			
Intergovernmental	2,263,094	1,595,105	718,156	17,083
Charges for Services			540	
Miscellaneous	391,235	1,367	35,043	3,000
Interest	15,306	1,227	279	
Total Revenues	<u>6,049,728</u>	<u>1,597,699</u>	<u>754,018</u>	<u>20,083</u>
EXPENDITURES				
General Government	2,151,612			
Protection to Persons and Property	949,748		1,164,925	
General Health and Sanitation	448,882	4,021		
Social Services	72,294			
Recreation and Culture	477,979			36,104
Roads		1,593,890		
Debt Service	421,584	30,946	6,150	
Capital Projects	15,620			
Administration	590,985	136,541	272,571	365
Total Expenditures	<u>5,128,704</u>	<u>1,765,398</u>	<u>1,443,646</u>	<u>36,469</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>921,024</u>	<u>(167,699)</u>	<u>(689,628)</u>	<u>(16,386)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	72,727			
Transfers From Other Funds	66,412	260,000	765,425	
Transfers To Other Funds	(755,000)	(50,000)	(77,530)	
Total Other Financing Sources (Uses)	<u>(615,861)</u>	<u>210,000</u>	<u>687,895</u>	
Net Change in Fund Balances	305,163	42,301	(1,733)	(16,386)
Fund Balances - Beginning	1,244,264	43,220	40,987	33,249
Fund Balances - Ending	<u>\$ 1,549,427</u>	<u>\$ 85,521</u>	<u>\$ 39,254</u>	<u>\$ 16,863</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Government Center Construction Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 3,276,629
		96,356
		7,108
	305,139	4,898,577
	7,648	8,188
		430,645
4,412	98	21,322
<u>4,412</u>	<u>312,885</u>	<u>8,738,825</u>
	4,856	2,156,468
		2,114,673
		452,903
		72,294
		514,083
	47,670	1,641,560
	330,350	789,030
		15,620
		1,000,462
	<u>382,876</u>	<u>8,757,093</u>
<u>4,412</u>	<u>(69,991)</u>	<u>(18,268)</u>
		72,727
	79,534	1,171,371
<u>(1,412)</u>	<u>(5,380)</u>	<u>(889,322)</u>
<u>(1,412)</u>	<u>74,154</u>	<u>354,776</u>
3,000	4,163	336,508
502,956	27,972	1,892,648
<u>\$ 505,956</u>	<u>\$ 32,135</u>	<u>\$ 2,229,156</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	336,508
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		988,574
Depreciation expense	(304,001)	
Disposal of fixed assets	(14,936)	

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing obligation		(72,727)
----------------------	--	----------

Lease and bond principal payments are expensed in the governmental funds as a use of current financial resources.

Financing Obligations		108,912
Bond Payments	<u>230,000</u>	

Change in Net Assets of Governmental Activities	\$	<u><u>1,272,330</u></u>
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BARREN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

BARREN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 71,563
Total Current Assets	<u>71,563</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	64,763
Less Accumulated Depreciation	<u>(29,734)</u>
Total Noncurrent Assets	<u>35,029</u>
Total Assets	<u>106,592</u>
Fund Net Assets	
Invested in Capital Assets,	
Net of Related Debt	35,029
Unrestricted	<u>71,563</u>
Total Fund Net Assets	<u><u>\$ 106,592</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 474,762
Total Operating Revenues	<u>474,762</u>
Operating Expenses	
Cost of Sales	84,039
Bonds	23
Supplies	62
Maintenance	8,779
Depreciation	4,714
Total Operating Expenses	<u>97,617</u>
Operating Income (Loss)	<u>377,145</u>
Nonoperating Revenues (Expenses)	
Interest Income	786
Inmate Pay From State	1,877
Inmate Refunds	<u>(108,638)</u>
Total Nonoperating Revenues (Expenses)	<u>(105,975)</u>
Net Income Before Transfers	271,170
Interfund Transfers	
To Jail Fund	<u>(282,049)</u>
Change In Fund Net Assets	(10,879)
Total Fund Net Assets - Beginning (Resta	117,471
Total Fund Net Assets - Ending	<u><u>\$ 106,592</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 474,762
Cost of Sales	(84,039)
Bonds	(23)
Maintenance	(8,779)
Supplies	(62)
Net Cash Provided By Operating Activities	<u>381,859</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	1,877
Inmate Refunds on Accounts	(108,638)
Transfers to Jail Fund	(282,049)
Net Cash Used By Noncapital Financing Activities	<u>(388,810)</u>
Cash Flows From Investing Activities	
Interest Earned	786
Net Cash Provided By Investing Activities	<u>786</u>
Net Decrease in Cash and Cash Equivalents	(6,165)
Cash and Cash Equivalents - July 1, 2003	<u>77,728</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 71,563</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 377,145
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>4,714</u>
Total Cash Provided By Operating Activities	<u><u>\$ 381,859</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Funds</u>			
	1996 Tax Escrow Fund	1999 Tax Escrow Fund	2002 Tax Escrow Fund	Total Agency Funds
Assets				
Cash and Cash Equivalents	\$ 707	\$ 2,187	\$ 4,331	\$ 7,225
Total Assets	<u>\$ 707</u>	<u>\$ 2,187</u>	<u>\$ 4,331</u>	<u>\$ 7,225</u>
Liabilities				
Amounts Held In Custody For Others	\$ 707	\$ 2,187	\$ 4,331	\$ 7,225
Total Liabilities	<u>\$ 707</u>	<u>\$ 2,187</u>	<u>\$ 4,331</u>	<u>\$ 7,225</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Barren County include the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Barren County Public Properties Corporation

The Barren County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Barren County Elected Officials Not Part Of Barren County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Barren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Barren County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Recreation Department Fund - This fund is for improvements and maintenance of a county park. The primary sources of revenue for this fund are grants from the state and federal government and private donations.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Barren County Government Center Construction Fund - The primary purpose of this fund is the acquisition or improvement of major capital facilities. This fund was included in the prior year audit as the Courthouse Annex Construction Fund. The fund was renamed after construction of the Government Center was completed. The primary source of revenue for this fund is interest earned on investments.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Work Release Fund, and the Public Properties Corporation Courthouse and Corrections Bond Fund – 1998 Series Fund.

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Recreational Department Fund, and Work Release Fund are presented as special revenue funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Barren County Government Center Construction Fund is presented as a capital projects fund. This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Corporation Courthouse and Corrections Bond Fund –1998 Series Fund, is presented as a debt service fund. This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency funds are used to account for monies held by the county in the escrow tax funds for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

1996 Tax Escrow Fund, 1999 Tax Escrow Fund, and 2002 Tax Escrow Fund - These funds are used to account for surplus funds received from the Sheriff. If these funds are not claimed, they will be turned over to the Kentucky State Treasurer in accordance with KRS 393.090 and KRS 392.110.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Barren County Fiscal Court: Barren County Extension District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Barren County Fiscal Court: Joint City County Planning And Zoning Commission, Ambulance Service Corporation, Inc., Barren-Metcalf Emergency Communications Center, Barren County Tourism and Convention Commission, and Barren Information Technology Systems

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Barren County Fiscal Court: Glasgow-Barren County Animal Shelter Board (Animal Shelter), and Glasgow-Barren County Industrial Development and Economic Authority (Industrial Development)

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond. However, as of August 31, 2003, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$69,261 of public funds uninsured and unsecured.

	<u>Bank Balance</u>
FDIC Insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the fiscal court's name	1,204,818
Uncollateralized and uninsured	<u>69,261</u>
Total	<u><u>\$ 1,374,079</u></u>

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
<u>Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Primary Government:					
Governmental					
Securities	<u>\$</u>	<u>\$</u>	<u>\$ 991,424</u>	<u>\$ 991,424</u>	<u>\$ 970,737</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Operating Leases

The fiscal court entered into various lease agreements for vehicles to be used by various county departments. Payments on operating leases are included in debt service on the statement of activities. The total expense related to these leases was \$60,217 for the fiscal year ended June 30, 2004. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2005	\$ 28,662
2006	\$ 11,900
2007	2,509
Total Minimum Lease Payments	<u>\$ 43,071</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Reporting Entity</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 865,173	\$ 45,184	\$	\$ 910,357
Construction In Progress		12,831		12,831
Total Capital Assets Not Being Depreciated	<u>865,173</u>	<u>58,015</u>		<u>923,188</u>
Capital Assets, Being Depreciated:				
Buildings	9,967,199	85,777		10,052,976
Other Equipment	1,452,113	107,490		1,559,603
Vehicles and Equipment	879,539	121,163	(14,936)	985,766
Infrastructure		616,129		616,129
Total Capital Assets Being Depreciated	<u>12,298,851</u>	<u>930,559</u>	<u>(14,936)</u>	<u>13,214,474</u>
Less Accumulated Depreciation For:				
Buildings	(1,157,380)	(150,795)		(1,308,175)
Other Equipment	(612,578)	(64,254)		(676,832)
Vehicles and Equipment	(424,591)	(47,877)		(472,468)
Infrastructure		(41,075)		(41,075)
Total Accumulated Depreciation	<u>(2,194,549)</u>	<u>(304,001)</u>		<u>(2,498,550)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,104,302</u>	<u>626,558</u>	<u>(14,936)</u>	<u>10,715,924</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,969,475</u>	<u>\$ 684,573</u>	<u>\$ (14,936)</u>	<u>\$ 11,639,112</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2004 was as follows: (Continued)

Primary Government: (Continued)	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 61,263		\$	\$ 61,263
Other	3,500			3,500
Total Capital Assets Being Depreciated	64,763			64,763
Less Accumulated Depreciation For:				
Vehicles and Equipment	(24,075)	(4,595)		(28,670)
Other	(945)	(119)		(1,064)
Total Accumulated Depreciation	(25,020)	(4,714)		(29,734)
Total Capital Assets, Being Depreciated, Net	39,743	(4,714)		35,029
Business-Type Activities Capital Assets, Net	\$ 39,743	\$ (4,714)	\$ 0	\$ 35,029

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 145,966
Protection to Persons and Property	53,474
General Health and Sanitation	10,991
Recreation and Culture	1,436
Roads, Including Depreciation of General Infrastructure Assets	<u>92,134</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 304,001</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 4,714</u>
Total Depreciation Expense - Business Activities	<u>\$ 4,714</u>

Note 5. Long-term Debt

A. Mortgage Revenue Bonds, Series 1998 - Courthouse Renovation and Construction Project

The Barren County Public Properties Corporation, an agency and instrumentality of the fiscal court issued obligations; dated July 1, 1998 and payable in 30 annual installments beginning February 1, 2000, with semi-annual interest payments at varying rates from 3.9% to 5.0%. The Corporation issued the bonds for the purpose of financing the cost of renovations and improvements to the Barren County Courthouse. In order to obtain funding for the project, the Fiscal Court executed deeds conveying the land and properties upon which the project was located to the Corporation.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

A. Mortgage Revenue Bonds, Series 1998 - Courthouse Renovation and Construction Project (Continued)

The Corporation has entered into a lease agreement with the Fiscal Court whereby the Fiscal Court has leased the Barren County Courthouse on an annual basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on February 1 and August 1 of each year. The Fiscal Court has an exclusive option to renew the lease each July 1. Should the Fiscal Court renew the lease until the bonds mature February 1, 2029, the Corporation will convey the Barren County Courthouse to the Fiscal Court. Should the Fiscal Court terminate the option to the lease, the Fiscal Court will give possession of the property to the Corporation for the benefit of the bondholders.

Although the Fiscal Court is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements of the bonds for each year the lease agreement is renewed, the Fiscal Court expects to receive payments for the use of the Barren County Courthouse from the Kentucky Judicial Branch, Administrative Office of the Courts (AOC). The AOC will pay directly to the trustee a portion of the Fiscal Court's annual rental in the form of a use allowance. As of June 30, 2004, bonds outstanding, attributable to the renovations and improvements of the Barren County Courthouse, were \$3,615,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 80,000	\$ 174,670
2006	85,000	171,230
2007	85,000	167,575
2008	90,000	163,835
2009	95,000	159,875
2010-2014	540,000	731,528
2015-2019	680,000	592,300
2020-2024	860,000	408,250
2025-2029	1,100,000	170,000
Totals	<u>\$ 3,615,000</u>	<u>\$ 2,739,263</u>

B. Mortgage Revenue Bonds, Series 1998 - Correction Center Project

The Barren County Public Properties Corporation, an agency and instrumentality of the fiscal court issued obligations; dated July 1, 1998 and payable in 20 annual installments beginning February 1, 2000, with semi-annual interest payments at varying rates from 3.8% to 4.8%. The Corporation issued the bonds for the purpose of financing the cost of renovations and improvements to the Barren County Corrections Center. In order to obtain funding for the project, the Fiscal Court executed deeds conveying the land and properties upon which the project was located to the Corporation.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

B. Mortgage Revenue Bonds, Series 1998 - Correction Center Project (Continued)

The Corporation has entered into a lease agreement with the Fiscal Court whereby the Fiscal Court has leased the Barren County Corrections Center on an annual basis at a rental equal to the amount of interest on and principal of the bonds coming due and payable on February 1 and August 1 of each year. The Fiscal Court has an exclusive option to renew the lease each July 1. Should the Fiscal Court renew the lease until the bonds mature February 1, 2029, the Corporation will convey the Barren County Corrections Center to the Fiscal Court. Should the Fiscal Court terminate the option to the lease, the Fiscal Court will give possession of the property to the Corporation for the benefit of the bondholders. As of June 30, 2004, bonds outstanding were \$780,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 40,000	\$ 35,850
2006	45,000	34,130
2007	45,000	32,195
2008	45,000	30,215
2009	50,000	28,235
2010-2014	280,000	105,903
2015-2018	275,000	33,840
Totals	<u>\$ 780,000</u>	<u>\$ 300,368</u>

C. General Obligation Bonds, Series 2000

The Fiscal Court issued obligations, dated May 15, 2000 and payable in 20 annual installments beginning May 1, 2001, with semi-annual interest payments at rates ranging from 5.25% to 5.50%. The Fiscal Court issued the bonds for the purpose of financing the cost of constructing a courthouse annex. As of June 30, 2004, bonds outstanding were \$2,915,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 120,000	\$ 157,320
2006	125,000	151,020
2007	135,000	144,458
2008	140,000	137,370
2009	150,000	130,020
2010-2014	860,000	524,277
2015-2019	1,120,000	264,550
2020	265,000	14,575
Totals	<u>\$ 2,915,000</u>	<u>\$ 1,523,590</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

D. Defibrillators

On December 21, 2001, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of LifePak 12 Defibrillators. The principal was \$122,000 at an effective interest rate of 3.4 percent interest for a period of 4 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, is \$63,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 31,000	\$ 2,094
2006	32,000	781
Totals	<u>\$ 63,000</u>	<u>\$ 2,875</u>

E. Dump Trucks

On January 16, 2002, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of Dump Trucks. The principal was \$141,000 at an effective interest rate of 3.25 percent interest for a period of 5 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$87,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 28,000	\$ 3,037
2006	29,000	1,891
2007	30,000	706
Totals	<u>\$ 87,000</u>	<u>\$ 5,634</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

F. Ambulances (Barren County Lease #4)

On March 15, 2002, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of Ambulances. The principal was \$138,026 at an effective interest rate of 3.12 percent interest for a period of 3 years with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2004, was \$47,474. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 47,474	\$ 1,080
Totals	<u>\$ 47,474</u>	<u>\$ 1,080</u>

G. Ambulance (Barren County Lease #5)

On February 26, 2004, Barren County entered into an agreement with Kentucky Association Of Counties Leasing Trust for the purchase of an Ambulance. The principal was \$77,727 at an effective interest rate of 1.91 percent interest for a period of 3 years with principal and interest paid monthly. The principal outstanding as of June 30, 2004, was \$66,809. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 23,928	\$ 1,527
2006	24,345	910
2007	18,536	270
Totals	<u>\$ 66,809</u>	<u>\$ 2,707</u>

H. Changes In Long Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,030,000	\$	\$ 115,000	\$ 2,915,000	\$ 120,000
Revenue Bonds	4,510,000		115,000	4,395,000	120,000
Financing Obligations	300,468	72,727	108,912	264,283	130,402
Governmental Activities					
Long-term Liabilities	<u>\$ 7,840,468</u>	<u>\$ 72,727</u>	<u>\$ 338,912</u>	<u>\$ 7,574,283</u>	<u>\$ 370,402</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Interest On Long-term Debt, Financing Obligations, And Lease Payments

Debt Service on the Statement of Activities includes \$11,701 in interest on financing obligations and \$378,708 in interest on bonds. Operating lease payments are also included in debt service.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On September 4, 2002, the Barren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is present in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862.

Note 9. Insurance

For the fiscal year ended June 30, 2004, Barren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 10. Changes In Accounting Principles And Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The effect of this change on the beginning net assets of the governmental and business-type activities is an increase of \$3,129,007 and an increase of \$38,783 respectively, primarily due to capital assets previously not reported. The beginning net assets of business-type activities have also been restated by \$2,357 for an increase due to errors and omissions.

The beginning fund net assets and beginning cash for the Proprietary Fund have been restated by \$2,357 for an increase due to voided outstanding checks and receipts previously omitted in error. The beginning fund net assets for the Proprietary Fund has also been restated by \$38,783 for an increase due to capital assets previously not reported.

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,964,500	\$ 3,321,488	\$ 3,276,629	\$ (44,859)
In Lieu Tax Payments	84,500	92,077	96,356	4,279
Excess Fees	2,000	2,000		(2,000)
Licenses and Permits			7,108	7,108
Intergovernmental Revenue	2,170,153	2,555,204	2,263,094	(292,110)
Miscellaneous	98,250	381,950	391,235	9,285
Interest	50,500	50,500	15,306	(35,194)
Total Revenues	5,369,903	6,403,219	6,049,728	(353,491)
EXPENDITURES				
General Government	2,382,464	2,602,455	2,151,612	450,843
Protection to Persons and Property	751,746	1,217,785	949,748	268,037
General Health and Sanitation	461,382	471,273	448,882	22,391
Social Services	93,400	93,700	72,294	21,406
Recreation and Culture	464,300	481,300	477,979	3,321
Debt Service	416,808	423,708	421,584	2,124
Capital Projects		16,325	15,620	705
Administration	563,253	1,153,114	590,985	562,129
Total Expenditures	5,133,353	6,459,660	5,128,704	1,330,956
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	236,550	(56,441)	921,024	977,465
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		72,727	72,727	
Transfers From Other Funds			66,412	66,412
Transfers To Other Funds	(1,260,550)	(1,260,550)	(755,000)	505,550
Total Other Financing Sources (Uses)	(1,260,550)	(1,187,823)	(615,861)	571,962
Net Changes in Fund Balance	(1,024,000)	(1,244,264)	305,163	1,549,427
Fund Balance - Beginning	1,024,000	1,244,264	1,244,264	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,549,427	\$ 1,549,427

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,043,230	\$ 1,519,084	\$ 1,595,105	\$ 76,021
Miscellaneous	100	100	1,367	1,267
Interest	3,000	3,000	1,227	(1,773)
Total Revenues	1,046,330	1,522,184	1,597,699	75,515
EXPENDITURES				
General Health and Sanitation	50,000	50,000	4,021	45,979
Roads	1,399,510	1,829,672	1,593,890	235,782
Debt Service	31,540	31,740	30,946	794
Administration	178,400	267,112	136,541	130,571
Total Expenditures	1,659,450	2,178,524	1,765,398	413,126
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(613,120)	(656,340)	(167,699)	488,641
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	613,120	613,120	260,000	(353,120)
Transfers To Other Funds			(50,000)	(50,000)
Total Other Financing Sources (Uses)	613,120	613,120	210,000	(403,120)
Net Changes in Fund Balance		(43,220)	42,301	85,521
Fund Balance - Beginning		43,220	43,220	
Fund Balance - Ending	\$ 0	\$ 0	\$ 85,521	\$ 85,521

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 562,700	\$ 688,370	\$ 718,156	\$ 29,786
Charges for Services	151,000	6,385	540	(5,845)
Miscellaneous	78,150	42,988	35,043	(7,945)
Interest	300	300	279	(21)
Total Revenues	792,150	738,043	754,018	15,975
EXPENDITURES				
Protection to Persons and Property	1,047,900	1,235,837	1,164,925	70,912
Debt Service	6,400	6,400	6,150	250
Capital Projects	13,000	13,000		13,000
Administration	294,750	343,451	272,571	70,880
Total Expenditures	1,362,050	1,598,688	1,443,646	155,042
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(569,900)	(860,645)	(689,628)	171,017
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	647,430	897,188	765,425	(131,763)
Transfers To Other Funds	(77,530)	(77,530)	(77,530)	
Total Other Financing Sources (Uses)	569,900	819,658	687,895	(131,763)
Net Changes in Fund Balance				
		(40,987)	(1,733)	39,254
Fund Balance - Beginning		40,987	40,987	
Fund Balance - Ending				
	\$ 0	\$ 0	\$ 39,254	\$ 39,254

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

RECREATION DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$	\$ 17,083	\$ 17,083	\$
Miscellaneous		3,000	3,000	
Total Revenues		20,083	20,083	
EXPENDITURES				
Recreation and Culture	32,000	52,967	36,104	16,863
Administration		365	365	
Total Expenditures	32,000	53,332	36,469	16,863
Excess (Deficiency) of Revenues Over Expenditures	(32,000)	(33,249)	(16,386)	16,863
Net Changes in Fund Balances	(32,000)	(33,249)	(16,386)	16,863
Fund Balances - Beginning	32,000	33,249	33,249	
Fund Balances - Ending	\$ 0	\$ 0	\$ 16,863	\$ 16,863

BARREN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Local Government Economic Assistance Fund	Work Release Fund	Courthouse and Corrections Bond Fund 1998 Series	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,154	\$ 528	\$ 30,453	\$ 32,135
Total Assets	<u>\$ 1,154</u>	<u>\$ 528</u>	<u>\$ 30,453</u>	<u>\$ 32,135</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 1,154	\$ 528	\$	\$ 1,682
Debt Service Fund			30,453	30,453
Total Fund Balances	<u>\$ 1,154</u>	<u>\$ 528</u>	<u>\$ 30,453</u>	<u>\$ 32,135</u>

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BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Work Release Fund	Courthouse and Corrections Bond Fund 1998 Series	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 48,539	\$	\$ 256,600	\$ 305,139
Charges For Services		7,648		7,648
Interest	38		60	98
Total Revenues	<u>48,577</u>	<u>7,648</u>	<u>256,660</u>	<u>312,885</u>
EXPENDITURES				
General Government		4,856		4,856
Roads	47,670			47,670
Debt Service			330,350	330,350
Total Expenditures	<u>47,670</u>	<u>4,856</u>	<u>330,350</u>	<u>382,876</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>907</u>	<u>2,792</u>	<u>(73,690)</u>	<u>(69,991)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		2,004	77,530	79,534
Transfers To Other Funds		(5,380)		(5,380)
Total Other Financing Sources (Uses)		<u>(3,376)</u>	<u>77,530</u>	<u>74,154</u>
Net Change in Fund Balances	907	(584)	3,840	4,163
Fund Balances - Beginning	247	1,112	26,613	27,972
Fund Balances - Ending	<u>\$ 1,154</u>	<u>\$ 528</u>	<u>\$ 30,453</u>	<u>\$ 32,135</u>

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COMMENTS AND RECOMMENDATIONS

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2004

NONCOMPLIANCES

- 1) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2003, \$69,261 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Davie D. Greer's Response:

Will contact the financial institutions.

- 2) All Telephone Commissions Should Be Deposited By The County Treasurer and All Jail Expenditures Should Be Budgeted

On February 12, 2003, the Jailer, with approval of the fiscal court, entered into an Inmate Pay Telephone Agreement with Evercom Systems, Incorporated which allowed Evercom Systems, Incorporated to install a pay telephone system in the Barren County Corrections Center. This agreement stated that the county was to receive monthly a 35 percent commission of the gross revenue from the use of the equipment through all collect calls, billed by inmates within the facility. In addition, the agreement stated that Evercom would provide the Barren County Correctional Center a \$5,000 equipment allowance to be utilized however deemed appropriate.

During the fiscal year ended June 30, 2003, the jailer made equipment purchases totaling \$8,820 and sent the invoices to Evercom Systems, Incorporated. Evercom Systems, Incorporated paid the vendors directly and deducted the amount that exceeded the equipment allowance (\$3,820) from the county's monthly commissions. The jailer made additional equipment purchases totaling \$5,501.55 during the fiscal year ended June 30, 2004 and sent the invoices to Evercom Systems, Incorporated for payment. Again Evercom Systems, Incorporated paid the invoices and deducted this amount from the county's monthly commissions. Since the county treasurer did not receive the equipment allowance or the commissions withheld, a total of \$14,321.55 was not included in the county's financial statements as budgeted receipts and expenditures over the two-year period. In addition, we could find no indication that the expenditures were presented to the fiscal court for approval prior to payment.

KRS 441.225 states (1) Except for capital improvements, utilities and building insurance and except as provided in subsection (2) of this section, the jailer shall have authority to authorize expenditures from the jail budget. Such expenditures shall only be made in accordance with the line item jail budget duly adopted or amended by the fiscal court and the established county procurement code or purchase order procedure of the county. Payment for purchases for the jail shall be subject to fiscal court approval prior to payment. The fiscal court shall not withhold approval of payment for jail expenditures which are within the jail budget and not unlawful.

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2004
(Continued)

NONCOMPLIANCES (Continued)

- 2) All Telephone Commissions Should Be Deposited By The County Treasurer and All Jail Expenditures Should Be Budgeted (Continued) _____

We recommend that all telephone commissions be deposited by the county treasurer and amended as necessary, into the county's budget. Invoices should be presented to the fiscal court for review prior to payment and approved payments should be recorded in the county's appropriation ledger as budgeted expenditures.

County Judge/Executive Davie Greer's Response:

None

Jailer Leland Cox's Response:

I will make sure all commissions be deposited by county treasurer.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

In the prior year we reported that the county should require depository institutions to pledge or provide sufficient collateral to protect deposits. This finding has not been corrected and has been commented on in the current audit report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County, Kentucky as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 31, 2005. Barren County prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barren County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barren County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- All Telephone Commissions Should Be Deposited By The County Treasurer And All Jail Expenditures Should Be Budgeted



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 31, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

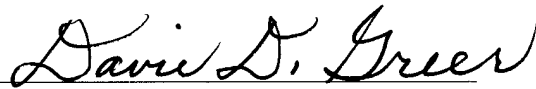
BARREN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BARREN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Barren County Fiscal Court hereby certifies that assistance received from the and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer